

## Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY KUWAIT IMMEDIATE

C O N F I D E N T I A L STATE 197470

E.O. 11652: GDS

TAGS: MASS, KU

SUBJECT: FMS CASE UCY

REF: (A) KUWAIT 3784 (B) DA 092107Z JUL 76 (C) MICOM  
192203Z JUL 76

1. THIS MESSAGE IS ATTEMPT RESPOND AS SIMPLY AS POSSIBLE  
QUESTIONS RAISED REF A. SINCE QUESTIONS RELATE TO COM-  
PLEXITIES OF PROCUREMENT METHODS, TIME AND SPACE DO NOT  
ALLOW US TO GO INTO GREAT DETAIL.

2. THE REASON WHY TOTAL COST FOR CASE UCY FELL BY LESS  
THAN 50 PERCENT DESPITE A 50 PERCENT REDUCTION IN TOTAL  
MAN MONTHS IS BECAUSE COMPUTATION INCLUDES DIFFERENT TYPES  
OF TECHNICIANS, AMERICANS AS WELL AS THIRD COUNTRY  
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NATIONALS WITH SMALLEST CUTS OCCURRING AMONG MOST EXPENSIVE

CATEGORIES OF TECHNICIANS. A REDUCTION IN TOTAL MAN MONTHS IN UCY WAS FIRST MADE POSSIBLE BECAUSE, AFTER SOME NEGOTIATION, GOK AGREED TO RECRUIT AND PROVIDE ON ITS OWN ACCOUNT SOME THIRD COUNTRY NATIONALS WHOSE COST HAD PREVIOUSLY BEEN INCLUDED IN CASE. A FURTHER REDUCTION IN TOTAL MONTHS WAS MADE WHEN, AFTER FURTHER NEGOTIATION, THE GOK AGREED TO A REDUCED SCOPE OF UCY. SINCE THIRD

COUNTRY NATIONALS WHICH GOK HAS NOW AGREED TO PROVIDE WERE AMONG CHEAPEST TECHNICIANS IN COMPUTING COST OF CASE, AND SINCE MOST OF THE REDUCTION IN SCOPE OF CASE RESULTED IN PERSONNEL CUTS AMONG US-BASED RAYTHEON AMERICAN TECHNICIANS (AS OPPOSED TO RAYTHEON TECHNICIANS BASED IN KUWAIT), THE TOTAL COST FELL BY LESS THAN 50 PERCENT. FOR EXAMPLE, IT COSTS MORE THAN TWICE AS MUCH FOR RAYTHEON TO SUPPORT A MAN IN KUWAIT THAN IT DOES IN U.S. THUS, IT IS NOT POSSIBLE TO CORRELATE PROPORTIONALLY REDUCTIONS IN COSTS WITH REDUCTION IN MAN MONTHS.

3. PROVISION OF TRANSPORTATION AND HOUSING BY THE GOK REDUCED THE COST OF CASE UCY. HOWEVER, SINCE NEGOTIATION OF CASE HAS STRETCHED OUT FOR MORE THAN A YEAR, THE EFFECTS OF INFLATION IN KUWAIT AND THE U.S. HAVE RAISED COST OF THE CASE DURING THIS PERIOD. THE NET EFFECT OF COMPUTING THE REDUCTION IN COST FOR THE TRANSPORTATION AND HOUSING PROVIDED BY THE GOK, AND THE NECESSARY INCREASE IN PRICE CAUSED BY INFLATION HAS LED TO THE PRESENT COST FIGURES FOR UCY. THESE FIGURES, HOWEVER, ARE ROUGHLY DOLS 13 MILLION CHEAPER THAN WHEN INITIALLY PRESENTED TO GOK.

4. AS THE QUESTION (B), PARA 2, REF A, THE "MAN MONTH RATE" IN CASE UAH CANNOT BE MEANINGFULLY COMPARED WITH THE "MAN MONTH RATE" OF CASE UCY. TO USE THE OLD CLICHE, THIS WOULD BE TRYING TO COMPARE APPLES WITH ORANGES. IT WOULD BE IMPOSSIBLE IN THIS MESSAGE TO DETAIL ALL THE DIFFERENCES BETWEEN THESE TWO RATES. HOWEVER, FOR PURPOSES OF ILLUSTRATION, CASE UAH PROVIDES FOR THREE U.S. TECHNICIANS TO GO TO KUWAIT FOR ONE YEAR, BUT SHEER SCALE OF CASE UCY, I.E., THE LARGE NUMBERS OF PERSONNEL

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WHO MUST STAY IN KUWAIT FOR A CONSIDERABLE TIME, INCREASE SUPPORT AND OVERHEAD COSTS VASTLY. THE RESULT IS A HIGHER "MAN MONTH RATE" FOR UCY.

5. WE HOPE THE ABOVE INFORMATION, COMBINED WITH INFORMATION PREVIOUSLY FURNISHED, WILL ALLOW EMBASSY TO ANSWER GOK QUESTIONS. AMBASSADOR SHOULD ALSO POINT OUT THAT ALL COSTS ASSOCIATED WITH CASE UCY WILL BE AUDITED

BY THE DEFENSE CONTRACTING AUDITING AGENCY. THIS AUDIT WILL ASSURE THAT ALL COSTS IN CASE UCY COMPLY WITH RIGOROUS USG PROCUREMENT REGULATIONS. IF FIGURES WHICH AT THIS STAGE MUST OF NECESSITY BE ESTIMATED PROVE TO BE TOO HIGH, ADJUSTMENTS WILL BE MADE ACCORDINGLY. WE FURTHER FEEL THAT GOK SHOULD NOT REQUIRE US TIME AND AGAIN TO GO THROUGH DETAILED JUSTIFICATION ON COSTING DETAILS OF

FMS CASES. IN FINAL EVENT, IF US-GOK SECURITY COOPERATION IS TO HAVE SUCCESSFUL RESULTS, GOK MUST HAVE TO RELY ON USG ASSURANCES THAT EVERYTHING POSSIBLE HAS BEEN DONE TO MAKE SALES CASE REFLECT GOK DESIRES AT FAIR AND HONEST COSTS.

ROBINSON

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